

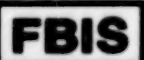
JPRS 74077

24 August 1979

# China Report

ECONOMIC AFFAIRS

No. 10



FOREIGN BROADCAST INFORMATION SERVICE

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<b>REPORT DOCUMENTATION PAGE</b>	<b>1. REPORT NO.</b> JPRS 74077	<b>2.</b>	<b>3. Recipient's Accession No.</b>
<b>4. Title and Subtitle</b> CHINA REPORT: ECONOMIC AFFAIRS, No. 10		<b>5. Report Date</b> 24 August 1979	
<b>7. Author(s)</b>		<b>6.</b>	
<b>9. Performing Organization Name and Address</b> Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201		<b>8. Performing Organization Rept. No.</b>	
<b>10. Project/Task/Work Unit No.</b>		<b>11. Contract(C) or Grant(G) No.</b> (C) (G)	
<b>12. Sponsoring Organization Name and Address</b>  As above		<b>13. Type of Report &amp; Period Covered</b>	
<b>14.</b>		<b>15. Supplementary Notes</b>	
<b>16. Abstract (Limit: 200 words)</b>  This serial report contains economic information on China.			
<b>17. Document Analysis a. Descriptors</b>  CHINA National Economic Policy Economic Planning Finance and Banking Fuels and Power Mineral Resources Heavy and Light Industry Capital Construction Domestic and Foreign Trade Transportation  <b>b. Identifier/Open-Ended Terms</b> 05C, 13  <b>c. COSATI Field/Group</b>			
<b>18. Availability Statement</b> Unlimited Availability Sold by NTIS Springfield, Virginia 22161		<b>19. Security Class (This Report)</b> UNCLASSIFIED	<b>21. No. of Pages</b> 42
		<b>20. Security Class (This Page)</b> UNCLASSIFIED	<b>22. Price</b>

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## CHINA REPORT

### ECONOMIC AFFAIRS

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## NATIONAL ECONOMIC POLICY

### GREATER SPECIALIZATION, MORE COORDINATION IN INDUSTRY URGED

Beijing JINGJI GUANLI in Chinese No 3, 15 Mar 79 pp 29-31

[Article by Han Xiulan [7281 1485 1526]: "Several Problems Relating to Specialization and Coordination"]

[Text] To reform our country's industry according to the principle of specialization and coordination of enterprises is an important means to speed up the four modernizations. However, due to the fact that people differ in their understanding of specialization of production and coordination and adopt different concrete measures, the economic effects produced in concrete work can be quite different.

Some people believe that in instituting specialization of industrial production it is best to carry the division of labor among departments and enterprises and in the internal operations of enterprises to its ultimate, to have every enterprise produce as small an assortment of products as possible and to have technology as simple as possible. If we start out from this kind of understanding and even go so far as to rigidly separate the production processes of one factory with an originally well-integrated production technology and an economically rational unity and convert the enterprise into several independent factories, or if we disregard such concrete conditions as the structural complexity of the product or of the required technology, the quantitative need of society and the economic effectiveness and blindly strive for single-product production, that would indeed be a lopsided understanding of specialization in production and would be detrimental to a large-scale development of productive forces.

Industrial specialization is one of the forms of social division of labor at a time when the social productive forces have developed to a certain level. It manifests a process of continuously breaking up and combining, according to economically rational principles, of departments and enterprises, as well as the establishment of new specialized departments and enterprises, producing the same line of products or working with the same processing technology. Since specialized departments and enterprises produce different products and parts or operate different technological processes, each with

highly efficient specialized equipment, particular processes of production technologies and with specialized skilled workers and administrative cadres, they can rapidly develop production technologies and achieve high productivity.

Specialization and coordination in industrial production has developed gradually. The breaking up and combining of old enterprises and the establishment of new enterprises follows its own laws. It depends mainly on the level of development of the social productive forces and the quantitative demands of society for certain products. Finally, we must also consider the degree of economic effectiveness of different industrial organizations in the manufacture of these products. Taking the development of the machine building industry as an example, in the beginning, opening up a mine, smelting and the manufacture of machines was all one integrated operation of one sector. Due to the invention and application of the steam engine in the 18th century, the improvement of machine tools gave impetus to the textile industry, the transportation industry and the development of division of labor in other industrial sectors, and as a result the machine building industry became an independent industrial sector. Later, in the wake of scientific and technological developments and the increased demands for machine equipment from various sectors, the machine building industry divided into industries specializing in metallurgical equipment, mining equipment, construction equipment, etc., and the machine tool industry into independent areas specializing in lathes, milling machines, grinding machines, etc. In the 20th century many new industrial fields appeared and in turn brought about the situation where the manufacture of certain machinery parts or certain stages of manufacture became independent specialized industries. This fully explains that whatever degree specialization may achieve, it cannot escape the objective laws governing its own development; man can only follow the demands of the objective law and adroitly guide action according to circumstances, but must not conduct affairs according to subjective hopes and expectations or specialize for specialization's sake, otherwise the result will be the opposite of what one wishes and detrimental to the development of productive forces.

If we want to institute specialization and coordination at the present level of our country's productive forces and thereby strive for the best economic results, we must correctly understand and correctly handle the following problems:

#### 1. Specialization Is Not Dispersal

In the specialization of industrial production we must not consider that it is most preferable to disperse industry and we must not view specialization and combination of industry as two opposites. Combination is also an important form of the social division of labor and of coordination at a time when the social productive forces have been developed to a certain degree. It brings together in one enterprise certain products of various branches of industry or certain products of the same branch that are mutually

linked by their production technology. Its benefits are that production is concentrated, continuity is strengthened and the enterprise is broadened in scope and dimensions. The specialization of industrial production is frequently linked closely with measures of combination. To organize related factories on the basis of specialization into one combined factory (joint company) is more rational than organizing independent specialized factories. For instance, the metallurgical department combined such successive production stages as ore mining, iron-smelting, steelmaking, steel rolling, etc., and organized joint iron and steel enterprises. Some of them even include such production units as coking, cement manufacture, etc. In the petrochemical sector, the various processing stages of extracting crude oil, refining and the utilization of by-products were organized into one petrochemical joint enterprise. In the textile industry sector, the spinning, weaving, printing and other production stages were organized into large-scale joint textile enterprises. These enterprises, established on the basis of integrated production processes for their products, the comprehensive use of raw materials and utilization of waste materials, show many advantages for the development of production since production processes are closely linked with one another, production potentials are maintained at a certain proportion and the various integrated enterprises all practice specialized division of labor. The arrangement is beneficial for overall comprehensive utilization of raw materials and resources, reducing stock accumulations of raw materials and semifinished products at the various stages of production, speeding up the production process, and reducing transportation costs and in economizing in circulating capital. It also facilitates organizing the local supply in complete sets of raw materials, parts and the finished products, thereby facilitating sales and also economizing investment for basic construction. It is therefore not necessary, generally speaking, to rigidly separate the various shops and branch factories belonging to this kind of joint enterprises already in existence and to convert the unified production process within the joint enterprises into a cooperative relationship between fraternal factories as this would actually prevent the full utilization of raw materials that originally could be used comprehensively and at the same time the man-made increased administrative levels would reduce the economic effectiveness. Of course, this does not preclude the establishment of specialized factories in certain areas and under certain economically justified conditions. For instance, medium-sized textile mills commonly only combine spinning and weaving and arrange dyeing and printing in independent plants, because specialized dyeing and printing plants can accommodate the dyeing and printing capacity of many textile mills, thus improving dyeing and printing technology, diversifying design and color and meeting the many demands of the people's livelihood.

Specialization is not the same as dispersal, but joint enterprises must also not be regarded as "all-purpose factories." These are two different concepts. A joint enterprise is an organic combination of production stages with closely linked production technologies, developed on the basis of specialization and furthermore promoting specialization in its subordinate



factories. On the other hand, the "all-purpose factory" throws together production of all kinds of unrelated technological processing and the manufacture of parts and products. Management operates along handicraft lines which is detrimental to large-scale production and impedes the development of specialization.

## 2. Specialization Is Not Single-Product Production

When organizing specialized production, one must not consider specialized production and multi-product production as two opposites. Specialization benefits the development of new products and of improved forms of products. Specialization aims at changing the small-scale, "large but complete" and "small but complete," multi-product production into large-scale production of products of one particular category. It sorts out all intrinsically unrelated production and production without common technological bases, or without comprehensive utilization conditions and organizes instead specialized production. This would solve the problem of having one factory produce, quite irrationally, several kinds of mutually unrelated products or one product being produced in small quantities in each of a large number of factories. This does not mean to say that specialization is maximized by having as small an assortment of products as possible. Just the contrary is true, specialization is being developed to increase the variety of goods, to satisfy even more fully the various needs of socialist construction and of the people's livelihood.

Practical experiences in China and abroad have proven that it is entirely possible to combine specialization and multi-product production. In fact, it is one of the superior points of specialization that it is beneficial to the development of new products. Speaking from the viewpoint of the specialized factory, since it manufactures only the main part of a product or does the overall assembly and leaves the manufacture of the other parts or accessories to other cooperating departments, it can better concentrate its strength on carrying out improvements of the product or on the trial production of new products. It can also frequently manufacture on one and the same set of equipment a certain product with varying composition, measurements or shapes. Five of the largest American agricultural machinery companies are organized for specialized production and as a result during the period from 1956 to 1970 their ordinary model products increased from 34 to 60 and their irregular model products rose from 124 to 306. In England, a factory specializing in the production of car wheel rims can produce altogether 109 kinds, of which 50 are for agricultural vehicles, 31 for industrial machinery and 28 for motor vehicles. The Hojo Gear Wheel Factory in Japan is capable of supplying 70 factories with various kinds of gear wheels, reduction gears and other products of excellent quality and is famous for its specialized production of a great variety of gear wheels. Numerous experiences in foreign countries prove that due to specialization the majority of factories of the engineering industry continuously increase the variety of their products and

do not reduce their assortments. The same was experienced in our country when specialization and coordination was organized in 1964. The plastics industry of Beijing Municipality effected a comprehensive adjustment in the various factories of specialized production development, division of labor and scope of production. This, as well as certain reforms in the system of enterprise management, resulted in a one-third increase in the plastics production capacity throughout the municipality and a rise in products by over 50 kinds. Viewed within the framework of the society as a whole, organizing specialization and coordination with its regulation and adjustment of products can possibly free a number of factories to produce certain products urgently needed by society and change the present situation where each individual factory produces quite a number of products while the entire branch of the industry in question produces only a small assortment, or where there is even no production facility for certain products.

In organizing specialization one must not simply aim at a reduction of the assortment. To arrive at an integration of increased assortment and a high level of specialization one must divide up and distribute production of the various kinds of products in a rational way. One must base the distribution of products on the quantities needed by society, on the present number of factories in the branch of industry in question and their production capacities, and also on the production technology and experiences of the enterprises, so that each individual factory will manufacture over a long period and in large quantities products of the same category or apply the same type of technology. Generally speaking, the demands for higher levels of specialization are somewhat greater in cities that have a good industrial base, where all branches of industry are fully represented, where a comparatively great variety of items are produced and where there is a good capacity to produce complete sets of items. The demand for specialization is somewhat lower in areas and remote cities where the industrial basis is comparatively inferior. Speaking from the standpoint of a particular industrial department, a somewhat higher degree of specialization may be appropriate if there is a large number of enterprises producing the same product, if there is much duplication of production and if there is a large production potential. According to the statistics of the competent department, in 1978 there were 93 factories in our country (not including county or commune operated enterprises) that manufactured ordinary lathes, 40 factories were duplicating the production of 400 mm lathes in 18 models. The quality was inferior, production costs were high and productivity low. On the other hand, nobody produced any kind of large, high quality and scarce lathes which our country urgently needed. In this case it is necessary to carry out specialization with division of labor. Furthermore, if we want to strengthen the standardization of products, their seriation and interchangeability, i.e., strengthen the "three-ization," we must raise the degree of interchangeability of parts in the various products, broaden exchangeability and achieve seriation of products so as to speed up the processes of designing products and of trial producing new products to even better satisfy the needs of society.

### 3. Specialization Must Be Accompanied by Coordination

Specialization and coordination are two aspects closely linked with one another. Specialization is the basis of coordination and coordination is the precondition for specialization. Specialization on the one hand increases the number of independent production units and on the other hand strengthens the mutual reliance of these independent units among each other. Following the development of specialization, the scope of coordination will expand correspondingly. The mutual shipment of semifinished products and parts and their unreasonable transshipment over long distances can influence the economic effectiveness of specialized production. If an enterprise is located far away from the sources of its raw materials or from the area where its products are sold, this will increase its transportation and production costs, which is not in the best interests of the nation.

In order not to have such losses or costs exceed the economic benefits connected with specialization, the layout of enterprises must be planned in a rational way and the proportion of regional coordination and interregional coordination must be determined. Here, consideration must be given to providing raw materials from nearby locations, to have, as far as possible, enterprises which coordinate closely and produce large quantities of products that can be distributed throughout one area or neighboring areas. All factories that produce perishable goods or goods that cannot be transported over long distances, must be even nearer to the consumers. Whatever products or parts can be supplied locally should be obtained locally, and no party outside the local area should be sought out for a cooperative arrangement. Whatever material can be obtained directly in quantity should be shipped directly from the producer to the consumer and need not be transshipped via some higher authority or other commercial department. Production and marketing must be attuned to each other's needs and we must reduce transportation costs and simplify administrative procedures. For this purpose we must ascertain the rational transportation radius from the producing unit to the area where the products are needed and the area where they are sold. Within reasonable distances of transportation and in view of the economic effects of larger production with correspondingly lower production costs, we must break down the barriers of trade and of locality and carry out specialization with division of labor on a nationwide scale so as to supply the needs of several economic regions or of the entire country.

To sum up, organizing specialization and coordination is complex and meticulous work. Specialization with coordination has many advantages; it is an inevitable trend in the development of industrial production. To bring all its advantages into full play requires thorough investigation, studies, and careful work. Since the special production technologies in the various industrial departments differ and the level of industrial development in various areas differs, the selection of the form of specialization and the decision on the degree of specialization must start out from a consideration

of the economic benefits for the entire nation and the concrete conditions in the department concerned; it must give comprehensive consideration to many factors and conditions. The main factor that determines specialization with coordination is the magnitude of the economic effect. Unreasonable specialization can inflict serious damage. Specialization is a means, not an objective. Specialization with coordination must benefit increased production, improvement of quality, increases in the assortments, reduction of costs and increased labor productivity. The process of splitting up "all-purpose factories" into several factories, of combining some factories and of establishing certain new specialized factories must always be integrated with a technological improvement in the enterprise and an introduction of advanced technologies and advanced equipment. Only in this way can we achieve good economic effectiveness.

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## GENERAL ECONOMIC INFORMATION

### ECONOMIC ACCOUNTING SYSTEM USED IN BEIJING ENGINE PLANT

Beijing JINGJI GUANLI in Chinese No 3, 15 Mar 79 pp 48-51

[Article by Xu Changde [1176 7022 1795] and Wan Taihe [8001 1132 0735] ]

[Text] The Internal Combustion Engine Main Plant in Beijing mainly produces two items, diesel engines for tractors and gasoline engines for automobiles.

The interference and sabotage of Lin Biao and the "gang of four" had destroyed the entire system of superior managerial methods, managerial controls and traditions at the Main Plant. In addition, the leading comrades at all levels had become accustomed to run enterprises by the methods of small-scale production, relying on administrative decrees and "the will of the superior." They gave no serious attention to learning how to handle affairs according to economic laws and were inapt at using economic methods to manage enterprises, with the result that business management was chaotic, units at all levels of the plant had neither economic authority nor economic responsibilities. There was no clear system of rewards and punishments and no distinction between good or bad, "everybody feeding out of one big pot," and the wastage of manpower, financial and material resources was very serious.

In order to effect a rapid change in the backward state at the plant and to meet the demands of the main tasks in the new era, the party committee at the plant led the broad masses of employees and workers of the entire plant to carry out courageously reforms of the entire managerial organization and system and of all managerial methods which were not in accord with the demands of the new situation. They first of all reorganized the business management and carried out reforms in the managerial organization within the plant. They adjusted and perfected the organizational structure according to the principle of specialization, instituted division of labor with individual responsibility for the plant director working under the guidance of party committee and established a powerful production command system. They established a system of representative assemblies of all employees and workers and in the forging shop as experimental unit they carried out



democratic elections of the administrative cadres. They set up and amplified 34 items of management rules, ascribing responsibilities to everyone from plant director to worker to supervisors at every level, everyone to have the responsibilities of his position, laying the foundation for a system where everyone had his individual responsibilities and every affair had someone who would be taking care of it. In production management they studied the experiences of the Japanese Komatsu comprehensive quality control and strengthened product quality control. More important, they conscientiously summed up the experiences of the past, positive as well as negative, and raised the consciousness of conducting affairs according to the objective laws of economics. They paid attention to the integration of plan targets, labor emulation drives and material rewards and established on a trial basis a system of economic accounting throughout the plant as a first step in their attempts to build up a management system that will meet the present demand for modernization, thus further strengthening business administration.

Having carried out this whole set of reforms in economic management has greatly stimulated the socialist enthusiasm of the broad masses of employees and workers, resulting in the fact that in 1978 the main plant for the first time overfulfilled the state plan and all economic and technological indexes reached, or surpassed, the record levels ever achieved in the past. For instance: the production of internal-combustion engines fulfilled the plan at 106.1 percent and was 14.8 percent higher than the past record of 1975; the gross total value of production was fulfilled at 111.2 percent and exceeded the past record by 8.3 percent. In profits the plan was fulfilled at 117.4 percent, exceeding the past record by 3.5 percent. Profits turned over to the state were 19.4 percent over the plan and constituted a new record. The following are the main points of their method:

1. Economic Targets are Divided up and Allotted to Workshops and Individuals The plant leadership believes, if an enterprise wants to fulfill completely the state plan, the plan must be taken seriously not only by the leadership but also by the leadership at all levels within the plant as well as by the broad masses of employees and workers. The plan targets must not merely be dumped on the shoulders of the one person who is plant director, but each individual employee and worker must bear responsibility. How to accomplish this? They called the methods they adopted the "three divisions and one determination," namely:

- (1) Divide up plan targets for managerial control by levels and allot them to specific persons. For instance, the planning division hands down the targets, organizes measures for their fulfillment and analyzes conditions of completion. The production division is in charge of targets for production quantity and assortment of products. The quality control division is put in charge of quality control. The labor division is in charge of labor productivity. For all targets that must be fulfilled by the cooperation of several relevant units, one unit is designated as main checking unit to be responsible for organizing the realization of the plan. Other

units are subsidiary checking units, closely cooperating in the plan fulfillment. For instance, in the case of the profit target, the main checking unit is the accounting and finance division, subsidiary checking units are the supply and marketing division and the transportation division.

(2) Divide up plan targets among relevant offices, workshops and work teams. For instance, the Municipal Automobile Industry Company had 8 economic and technological targets which it split into 23 items to be checked by our main plant. The main plant again split these into 162 items and handed these items on to the relevant offices, workshops and work teams. For example, the reserve capital was split off and placed in charge of a warehouse concerned, thus having the materials departments look after materials as well as capital funds and integrating planning, purchasing and storage of goods and materials, which would guarantee achieving the target for use of circulating capital.

(3) Divide and constantly analyze the conditions of fulfillment of plan targets. For instance: in order to have the leadership at all levels become well informed, the planning and financial affairs divisions periodically compile "Statistical Data," which monthly reflects the conditions of plan fulfillment and organizes special analyses of certain existing problems. For example, in August and September last year they published material on the topic of "Reliance on the 'One Divides Into Two' Law for Progress," bringing to the attention of the leadership and the staff and workers that under the excellent conditions now prevailing there still exist some weak sectors, pointing out that the reject rate of castings was rising again, that the production of eight components showed a decline, that accidents had increased during the third quarter, etc. The material aroused the interest of the main plant leadership. For several days they met with the mid-level cadres, undertook economic analyses and adopted appropriate measures. In October things took a turn for the better.

(4) Determine measures that guarantee fulfillment of economic and technological targets. Last year, the main plant drew up an "Outline of Measures to Guarantee Fulfillment of Eight Economic and Technological Targets in Efforts to Achieve Record Levels of Production" ("The 24 Articles"). Apart from measures to guarantee quality, for which special regulations were formulated, the measures for the various targets all determine special personnel for the fulfillment within certain limits of time, and also determine inspection by an "eight target control committee." For example, to fulfill the profit target, they instituted certain measures in good time to fulfill the product marketing plan. The main plant produces a large quantity and great variety of forgings for the Tianjing and Shijiazhuang tractor factories. In the past the factories had sent their cars to take delivery, but because of the long transportation line this was costly in time and money and at times when despatches could not be made, it held up fulfillment of sales targets. Now they changed this and are sending most of the forgings

over the private railway siding by railway. Total despatches are over 1 ton per year. This measure not only guarantees fulfillment of marketing targets, and consequently also the profit target, but also saves a large amount of freight and saves the two factories over 14 tons of gasoline. The resident representative of the Tianjing Tractor Factory said: "You have managed at the same time inside and outside of your factory."

2. Institute Emulation and Reward Systems, Integrate the Personal Benefits of Staff and Workers With the Business Performance of the Enterprise  
Casting has for many years always been a weak sector of our main plant's production. Due to the short supply of cast semifinished products, processing, assembling, etc. had to be held up. Every month, production was slack in the beginning and tight toward the end. While there was nothing to do at the beginning of the month, at the end of the month, even with machines spinning fast and a certain neglect of quality, plan targets could not be fulfilled. To solve the problems of the casting shop, the plant leadership had already adopted certain administrative measures, but with little result.

Early 1978 they realized that this situation was most decidedly due to the fact that there was no clear system of rewards and penalties; it made no difference whether one worked well or badly, whether one worked or did not work at all. At that time, when the higher authority had not yet issued any regulations on bonuses and other factories had hardly put such rules into practice, they instituted, on a trial basis, at the three casting shops a set of "Competition Bonuses for High Quality, Quantity Production and Low Costs." The rules stipulated that whenever production exceeded 80 pieces, a bonus of the equivalent of 1 day's wage (1.64 yuan, for not more than 4 days in a month) was to be paid. Emphasis was to be placed--quality always to remain the focal point--on increasing production, lowering costs and ensuring safety. They also stipulated that no bonus would be paid if quality was below standards. The rules for competitions laid down that quality would count 40 points, quantity 30 points, other economic and technological targets 30 points; for safety no points were given, only deductions made.

Because the targets for the assessment of performances were clearly defined, concrete with a clear demarcation of good and bad, great enthusiasm was aroused among staff and workers. The result was remarkable. The changes that occurred in the backward and retarding production situation in the three casting shops stimulated production trends throughout the entire plant. From the first quarter last year on, the entire plant was able to achieve a balanced production of a 3-3-4 ratio.

After receiving State Council document No 91 (1978), the plant instituted on a trial basis for the month of July a universal bonus system for the entire plant. The system was a competition-bonus method which introduced comprehensive bonuses as main feature and single item bonuses as secondary

feature with the widest possible integration of bonuses and competitions. By summing up experiences in actual practice, the system was gradually adjusted and modified, and institutionalized. Last year August they drew up a set of measures for socialist competition and bonuses for quality and quantity production at low cost, thereby solving such problems as the separation of emulation drives and bonuses, the great disparity between bonuses for frontline and rear work, and the unfair ratio of bonus distribution among different categories of personnel. It determined that no bonus would be issued to a unit that was below 75 points in fulfilling quality or quantity targets. In bonuses to individuals, the regulations must be strictly adhered to. The range of bonuses shall not be controlled, and attention is given to such concrete conditions as the difference between heavy physical work and light physical work, frontline and rear, workers and cadres, larger and weak performance, good and bad quality work, etc. On the one hand the rules do not practice egalitarianism, but on the other hand they also avoid large disparities. The four casting shops furthermore carry out a system of "collective piece rate high quality bonus" with a 100 point system, where bonus can be collected at the rate of 20 percent of the standard wage. For the seven frontline workshops a system of "high quality excess quantity bonuses" was instituted with a 100 point system; bonus can be collected at the rate of 13 percent. For the cadres and personnel in offices a system of "comprehensive emulation bonuses" was applied with 100 points; bonus can be collected at the rate of 11 percent. The various units in the plant also determined, according to concrete individual conditions, particular bonus regulations for each work team, work group and individual. In this way a very effective integration has been achieved of the material interests of the individual employee and worker with the collective interests of the enterprise and the unit.

The leadership of the plant believes that receiving a bonus that is merely calculated on the basis of a fixed ratio of the total amount of wages every month cannot very well stimulate the concern of staff and workers for the business results of the enterprise. They proposed to strive for an overfulfillment of the target for profit to be turned over to the state, to achieve a record level, to attain 37 million yuan, to turn over to the state 5 million yuan in excess of target. From out of the super-profit at the end of the year, each staff and worker was to be given a bonus of 30 yuan. This substantially stimulated the socialist enthusiasm of the staff and workers.

### 3. Instituting a System of Economic Accounting in the Plant

As from 1 January, the main plant instituted a system of independent economic accounting of factory-wide scope with profit and loss accounting for each unit. The factory leadership had long ago done much preparatory work. They had summed up the experiences made with a trial of independent accounting and individual profit and loss calculation in the competition



workshop and drawn up various rules for implementation. They fixed plan prices and various norms for expenses and expenditures within the plant. They established sound worktime norms and original records and instituted training of accounting, planning and economic accounting personnel in the various units.

The plant headquarters had the eight items of economic and technological targets for which the factory was accountable to the state, broken up and transmitted to the various workshops and offices to have them institute independent economic accounting (offices without particular economic accounting items are to be overall accountable in their financial affairs). If a workshop can completely fulfill the economic and technological targets transmitted to it from the main plant, it may retain a certain amount as workshop bonus fund. The concrete methods are as follows:

(1) Establishment of "Plant Internal Bank" and Issue "Internal Bank Checks"  
After instituting independent economic accounting, economic dealings such as between workshop and workshop, between workshop and material supply departments, or in connection with the allocation and transfer of materials, with costs and expenses that arise, with the transfer of goods to the warehouse, with the supply of labor, etc. are all without exception to be settled according to uniform prices throughout the factory. The planning and finance division of the main plant set up a banking team and the plant departments issue "internal bank checks" and "material acquisition internal bank checks" as methods of settlement.

(2) Instituting a Contract System Within the Plant  
Between the various departments of the plant, between main plant and workshops, between workshop and workshop, economic contracts are to be signed in accordance with the target plans transmitted down from the plant head office. For example, a production unit and an auxiliary unit sign a "contract of cooperation;" a production unit and a machine repair unit sign a "processing contract;" units that supply each other labor sign "labor contracts." The contracts clearly stipulate all mutual rights and obligations and determine quantity, quality, scope and time of the mutual obligations. Those who do not fulfill their contract obligations will have to bear full economic responsibility; they may be either refused credits or charged penalties.

Speaking of the main internal-combustion engine plant, to institute a system of economic accounting in the factory reflects the transformation that has taken place in the business management of the plant.

Firstly, the transformation from a partial allotment of plan targets to a complete break up of the plan target and transmission to subsidiary units. This demonstrates that every single employee and worker has responsibility for the overall fulfillment of the state plan; everyone of them must feel



concern for the economic results of the entire plant and everyone must carry out economic accounting. This would help change the attitude of "being masters but not behaving like masters" and of "all feeding out of one big pot." A workshop that fulfills completely its plan target may claim a bonus in proportion to the total amount of its payroll. Any unit that achieves a superprofit may additionally claim a share as workshop bonus fund. This is truly placing reliance for plan target fulfillment on the efforts of the broad masses of cadres, staff and workers.

Secondly, the transformation from mere reliance on administrative decrees and administrative methods to the use of economic means in the management of enterprises.

Socialist enterprises must serve the consumers. Business administration must reflect the demands of the consumers, continuously improve its service attitude, raise the quality of its service, produce products and services at the right time, at the right quality and in the right quantity, and try in every conceivable way to satisfy the demands of the consumers. They believe that with regard to the various consecutive work processes in the factory, there is also as the last work process the consumer. If the level of business administration is to be raised and economic accounting in the factory to be done effectively, then not only must the consumer outside the factory be allowed the right of selection and every conceivable means be employed to win the favor of the consumer, but inside the factory the interests of the last stage in the work process must be safeguarded. Parts must be priced according to quality, high quality and inferior quality goods must not be priced the same. For instance, if the machine repair shop does not make a good job of overhauling equipment, and also charges too much, the machine processing shop may not ask them to do repairs. Over a longer period, the machine repair shop will have no more work, or incur losses, and its staff and workers will receive no bonuses over longer periods and then probably demand that the workshop take steps to improve the quality of its work.

Thirdly, the transformation from the administrative methods of small-scale production to scientific management methods appropriate for the demands of modern large-scale production. In the past, certain workshops would work on the principles "be small but complete" and "in all matters never request help from others." They repaired their own equipment, made their own working clothes, ran their own canteens, and even if the costs of their operations ran high, they felt at ease and thought their way was well justified. As a result the energy of the workshop leadership was dissipated and there was also dissatisfaction among the masses. After instituting the system of economic accounting in the factory, every workshop in the entire factory took the matter of business management much more seriously than before, endeavored to strengthen business management and paid attention to getting good economic results. The situation has fundamentally changed, for instance,

if a workshop asks another workshop for assistance with some materials or parts they have to pay for it by "check" according to price and settle accounts in due course. In the past, departments of the main plant could borrow free-of-charge production workers of the workshops, but now anyone who borrows will have to pay the workshop the cost of working hours used. All this is very beneficial for having leadership and masses concentrate their main energy on an effective organization of modern large-scale production and for having them gradually learn to use economic means in the management of enterprise.

In the past, when wood work in the molding shop was not arranged to fill all working time, the workers would be loafing and the leadership also feel it saved them trouble. Now, leadership, staff and workers all get worried and think of ways to increase marketing outlets. For the purpose of increasing the profits of the workshop, they seize on raising labor productivity and reduction of costs as the key points. They opposed the method of relying on price increases for the purpose of increasing their profits.

The plant leadership believes that the purpose of instituting economic accounting in the factory is to raise the economic results in the various workshops. We must therefore devote a lot of time and energy on increasing production and practicing economy.

Since the preliminary introduction of economic accounting in the plant this year, it has already helped the factory to discover many shortcomings and much wastage in the production, technological activities and in the management of the enterprise. It has stimulated the various workshops to improve production, to improve techniques and to improve and strengthen the management of the enterprise and its business operations. It has also at the same time strengthened the sense of responsibility among staff and workers and aroused their enthusiasm for increasing production and practicing economy. The entire plant has changed its appearance of "everybody feeding out of one big pot" as it now promotes increasing production and practicing economy. The great number of cadres and the masses say: This is the new atmosphere brought on by the new way of managing the economy according to economic methods.

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CSO: 4006

## GENERAL ECONOMIC INFORMATION

### STRENGTHENING QUALITY MANAGEMENT WORK

Beijing JINGJI GUANLI in Chinese No 3, 15 Mar 79 pp 45-47, 55

[Article by Yang Wenshi [2799 2429 1102] ]

[Text] The quality of our industrial products has a direct bearing on the overall situation of our national economy, a bearing on our national defense, on the livelihood of our people, on our country's reputation and on the realization of the four modernizations. To actually move industrial production on to the track of "quality first," to conscientiously and thoroughly implement a policy of "quality first" in the various work process of industrial enterprises, is an important aspect of our shifting the focus of all party work on the battle front of industry and communications.

"Quality first" is determined by the fundamental objective of socialist production; it reflects the demands of the developmental laws governing social large-scale production. Without quality even the largest quantity will amount to nothing, indeed could even constitute a huge wastage of material and financial assets. If we want to develop our national economy with greater, faster, better and more economical results and realize a socialist modernization, we must strive to achieve quantity, speed and economy within high quality. Speaking of our cadres, firmly upholding the principle of "quality first" is for them also a question of fostering the revolutionary tradition and of firmly upholding the revolutionary style of seeking the truth on the basis of objective facts. We are determined to maintain high standards, to observe strict requirements, be not the least negligent about the quality of products, keep constantly improving quality, not to work slovenly or be satisfied with slipshod work. We shall express in concrete terms the spirit of "service to the people" in our service to consumers, be they consuming departments or the broad masses, and in our sense of responsibility toward the consumers.

After smashing the "gang of four," the broad masses of staff and workers and the cadres of all levels have done much work in adjusting business management and raising the quality of our products. The downward trend in the quality of products has been changed into a turn for the better, however, qualitative inferiority of products continues to exist in serious

proportions. If a radical change is to be achieved in this respect, if we really and truly want to shift industrial production on to the track of "quality first," we must first of all effect an ideological "shunting." At the same time we have a large amount of hard and solid work to accomplish, we must keep it up perseveringly and unremittingly until achievements have been attained. One of the important items in these tasks is the strengthening of quality management. We must conscientiously sum up the experiences, positive and negative, gathered in industrial quality management since the establishment of our government, we must consolidate achievements and overcome shortcomings. At the same time we must also study conscientiously the techniques, methods and experiences of industrially advanced countries in the field of quality management to serve us as examples and to help us improve our work.

Quality management is an important component of business management. The quality of a product is the composite result of many work processes and the activities of many production sectors of an enterprise. To organize these various work processes and sectors into one organic entity and to coordinate them, becomes a problem of management. Quality management is a new concept which was grown out of the former comparison of product inspections. It should comprise a whole spectrum of significance for ensuring product quality, for protecting, raising and coordinating quality as well as for giving service to consumers. In concrete terms, quality management is to give attention to the following points:

#### 1. Distinction Between Product Quality and Work Quality

Product quality refers to the special properties of a product that enables it to satisfy the human need. The special characteristics that make up the quality of a product can be determined in a direct or indirect way. The quality standards of a product represent the measurements of the special characteristics that are the main factors of its quality. Work quality refers to the degree to which managerial work, technological work and organizational work in an enterprise ensures attaining the quality standards or a higher quality of the product. Product quality and work quality are two different concepts, but the two are closely related. We often find the situation where a workshop shows a high reject rate and its products therefore being considered "of bad quality." However, this is a misunderstanding. Even though its reject rate is high, that part of the production that is up to standards conforms to quality standards. The high reject rate reflects, strictly speaking, a low level of work quality in the workshop in question or even in the enterprise as a whole.

Quality management must concern itself with product quality as well as with work quality. In quality management one must devote a part of one's energy to raising work quality and by way of raising work quality, ensure and raise product quality. In consolidating business management and strengthening business management, we are in actual fact also directing our attention to the improvement of work quality.



**2. We Must Not Neglect the Work of Product Inspection, but Good Quality Comes Out of the Manufacturing Process and Not Out of Inspection.**

In the past, the main purpose of product inspection, also called post-manufacture inspection, was to "guard the pass," that is to check according to quality standards and prevent rejects and inferior products to pass the inspection, get mixed up with standard products and pass into the next working process or leave the factory. This kind of post-manufacture inspection is absolutely necessary to prevent substandard products from leaving the factory and to ensure the quality of the products. In view of the present state of our enterprises, it is still the most basic and elementary obligation of quality management. In future we still have to firmly and strictly "guard the pass" without the least relaxation. However, to rely merely on inspection is, after all, a passive affair; it transfers the focal point in ensuring product quality to the field of inspection and cannot radically solve the quality problem. Even a stricter quality inspection can also only pick out the rejects but cannot solve the problem of manufacturing rejects, even less the problem of continuously raising product quality. The special quality of a product comes about in a gradual process of manufacture and shaping. Speaking of a new product, there are the various stages of experimental study, study of manufacture, designing, selection of materials, technology, experimental manufacture, appraisal, serial production, control of manufacturing processes, inspection, down to packaging the finished product and shipping it out from the factory, all have direct or indirect influence on the quality of the product. Then, after the product has left the factory, the question whether its quality meets the demands still depends on the test and verification of the consumers in their actual use or consumption of the product. The saying "good quality comes out of the manufacturing process" means that good work must be done at each stage of manufacturing and shaping a good product, each step in the process is linked to the other, there is mutual check, reassurance and acceleration, and the quality problem must be solved with a view to the process as a whole. We must therefore follow the principle of "integrating strict checks with energetic prevention, with priority being given to prevention." At the same time as inspection work is strengthened, various measures must be taken to bring under control all factors as the various stages of manufacture which have an influence on quality and thus prevent manufacture of rejects and ensure product quality.

**3. In Every Corner and at Every Level of the Factory Form a Working Organization To Guarantee and Improve Product Quality.**

Because of the different specialties of manufacture and different categories of products, the specific sectors and the content of processes responsible for the quality of the product are all different in different enterprises. However, speaking of the operations that produce quality and the obligations borne in this respect, we can, in general, distinguish four processes, namely: the designing process (including the various stages before regular



production), the manufacturing process, the use stage and the supplementary stage. The designing process is the starting point for quality management; it has a preventive and guarantee effect for the quality of the product. "If care is not taken beforehand, endless trouble will ensue later." Many quality problems of the manufacturing process have frequently been created in the designing. In the same way we may say that the manufacturing process has preventive and guarantee functions with regard to the use process. The use process is a process of testing and verifying the quality of the product. It is the final act in quality management. The supplementary process supplies the formative process of product quality with the material and technological conditions; it is the "logistics" of quality management.

Generally speaking, the production inspection of the past was restricted in its scope to the manufacturing process, only from a quality viewpoint it seized on the quality criteria, getting half the result with twice the effort, hardly ever displaying any preventive functions. It is different with quality management; its scope of work and functions expands much wider. It demands that the four processes be organized into one unified system. Within this system, the various processes and sectors are under one unified leadership mutually communicate conditions and coordinate activities, and in unison ensuring and raising product quality. The "mutual communication of conditions and coordination of activities" mainly refers to the quality questions arising in subsequent processes or stages: apart from leading to certain adjustments on the spot, they reflect conditions for the benefit of preceding processes and stages, to serve as data to carry out product quality improvements (in quality control this is called "feedback"). For instance, the quality problems that show up in the manufacturing process or in the use stage are fed back to the designing process. Between every process and every stage, there is a quality feedback, and according to its scope we may distinguish "feedbacks within the factory" and "feedbacks from outside the factory." The former is quality feedback within the enterprise and the latter is feedback from consumers during the use stage. Both types of feedback continuously circulate within one unified system and at each cycle product quality will probably be raised one step higher.

#### 4. Quality Management Is Everybody's Responsibility

On this point we deal with the question of effective organization. Speaking of the formative process and work system for product quality, most of the departments in an enterprise have the capacity for quality management and every department must make its contribution to guarantee and improve product quality. Quality management is not only the responsibility of one particular department but the common responsibility of many departments, especially those offices that comprise technical departments. The change from quality inspection to quality management involves changes in a variety of relationships (such as the relationship between workers and inspectors, the relationship between different offices, the relationship between front and rear of the production process, the relationship between the various departments of supply, production and marketing, the relationships between

workshops, work teams and work groups, the relationship between enterprises, etc... Only a concerted effort on the part of all departments, units, sectors and all branches of production work will achieve the anticipated result. This actually constitutes the mass character of quality management. At the same time, it also requires a managerial department with the special function of organizing, coordinating, supervising and bringing together the work of the various departments and serving as the center for the two types of feedback. This department is either the division, or office, of quality control. Obviously, any originally extant quality inspection division cannot perform this function, and conditions must be actively created and energy expended on gradually transforming the quality inspection division into a quality management division.

##### 5. Integration of Organizational Management, Technical Work and Statistical Methods

The task of quality management is to do a good job at the various aspects of organizational management and to manufacture, with scientific methods and advanced technology more, faster, better and more economically, products that will satisfy the demands of the consumers. The achievement of this task involves questions of organizational management as well as technical questions, each must not be overemphasized at the expense of the other. Of course, in the long run the improvement of product quality will depend on the development and use of science and technology, however, the question of organizational management can also become a key factor. Statistical methods are very important effective tools in quality management. To emphasize the use of statistical methods in quality management means more or less two things: one is to gain an accurate idea how things stand, to quantify the quality question, to have facts (that is, data) concretely reflect the quality condition and not to rely on impressions and assumptions. This requires the strengthening of recording original records, to obtain complete and accurate data. Secondly, it means to use scientific methods in dealing with the analysis of the data that have been obtained, to have the quality conditions that are reflected in the data more accurately conform with the objective reality. This kind of statistical method will be conducive to controlling developments and trends in the quality, conducive to an analysis and study of the problems, to find the main factor from among many factors that exert influences, so that the right medicine can be applied to the ailment. It will also be conducive to the collection, ordering and analyzing as well as utilizing a large amount of systematic data, so that quality control will be built up on a reliable and scientific foundation. Statistical analysis of quality indexes, the sampling and checking on delivery of parts, components and products, the control of working procedures during the production processes, all these are applications of statistical methods in carrying out quality management. However, statistical methods are, after all, only tools that provide the clues, the actual solution of quality problems still require action in two respects: organizational management and in the technical field.

The new concept of quality management has gradually taken shape, gained substance and has been developed in the wake of the development of modern industrial production. The transition from quality inspection to quality management displays a kind of objective inevitability. This fact is fully substantiated by the practical experiences in business management in our country. The many effective experiences created and developed over the last 30 years by the broad masses of employees and workers with regard to quality inspection in the enterprises of our country have actually already gone beyond the concept of "post-manufacture inspection" and are actually of the nature of quality management in a kind of embryonic form. For instance, certain exemplary quality inspectors have actually practiced a work method of "blocking, preventing, assisting, explaining" ("blocking" means guarding the pass, "preventing" means preventing the production of rejects, "assisting" means giving technical guidance to workers manufacturing the product, so as to jointly solve the quality problem, and "explaining" means to propagate the 'quality first' policy). Some have launched an activity of "three kinds of staff are concerned, three groups of people are satisfied" among the quality inspection personnel (staff who propagate 'quality first', staff who give technical assistance and staff who do quality inspection; product quality and inspection will satisfy the workers, satisfy the subsequent work process, satisfy the consumer). Among the production workers they launched work group activities of "having confidence in product quality" (i.e. we ourselves, the inspectors, the consumers, the nation shall all have confidence in the quality of our products; sub-standard products will not be allowed to pass out from the production team or group). Launching these activities has greatly improved the relationship between workers and inspectors and also put into practice the principle of giving priority to prevention. It assumed thereby in actual fact already the character of quality management. Furthermore, many enterprises have instituted periodical consultations of consumers, model type investigations and making rounds for the purpose of rendering technical guidance, in actual fact expanding the scope of quality inspection into a quality management at the use stage. And again, the joint checking, testing, evaluating, etc. during the designing of the product are actions that in their functions also conform with the demands of quality management. Apart from this, some enterprises have accumulated quite some experience in using statistical methods to effect quality control.

At the present time, when we are in the process of adjusting and strengthening business management and promoting the modernization of business management, we must conscientiously sum up the effective experiences and methods of the past and have them grow more effective under the new conditions. First of all we must "forward march," we must continuously practice, continuously try to find and create new experiences, on the basis of the already extant foundation. At the same time we must also realize that although past quality inspection has done some work which falls into the scope of quality management, it lacked coordination between the various departments, each working



on its own. There was also no system; once done, things were laid aside and no records left for future reference. There was also a lack of necessary data as would be required in scientific quality management. For this reason, dealing with quality questions often became a matter of guesstimating and relying on personal experiences. In summary, past inspections were still very far away from meeting the demands of scientific quality management, which it is important to note. We must also consider it as an important matter to study the developments and trends of quality management in foreign countries and adopt whatever can benefit us and be of use to us.

In foreign countries, quality management has already developed into a new field of science with a great number of specialists pursuing this subject (such as quality managers, quality engineers, quality planning engineers, reliability engineers, etc.). The subject of quality management was first raised in the United States. In the early 1920s, the concept of "defect prevention" was set forth and work process control was practiced (i.e. in the form of "quality control charts"). Since the 1950s, the Japanese introduced the whole package of American quality control techniques and methods, integrated them with their national conditions and developed them further, giving them very distinctive features. The fact that Japanese products can maintain themselves in the world market, that they are of good quality, is inseparably linked with Japan having launched quality management on a comprehensive scale.

Viewed in the light of the experiences made by the industrially advanced countries with quality management, the development of quality control is inseparably linked with the development of science, technology and production. Roughly, it has experienced three stages: the stage of post-manufacture inspection, the stage of statistical quality management and the stage of comprehensive quality management.

At present, quality management in enterprises abroad is, on the whole, proceeding in the following directions: 1. There are three basic trends in quality inspection: raising the degree of automation, use and development of advanced procedures and methods of sampling, development of highly sensitive sensing devices, promotion of inspection during the process of machining. 2. Statistical methods in quality management involve "broadening the scope, mass character and popularization, "that is, that they are not only used in work processes control and product quality acceptance testing, but also in the developmental manufacturing and designing stages in the use stage. At the same time operations research, orthogonal projection and other such methods of mathematical statistics are also to be widely used in all sections of quality management. With regard to mass character and popularization of statistical methods, the Japanese have done outstanding work. 3. With regard to organizational management, the department in charge of quality management and the department in charge of quality inspection should be established separately, the former in general

at the head office of the company or at branch offices of the first level, the latter at the manufacturing plants of the first level. To meet the demand for reliability of the products, the trend has been that total inspection (with the help of automated methods) replaces gradually the sample inspection. 4. Attention to the developmental manufacture of the product, to designing and to the strengthening of the study of fundamental technologies, will essentially guarantee production quality and a high degree of reliability.

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CSO: 4006



## GENERAL ECONOMIC INFORMATION

### INDUSTRIAL MANAGEMENT SEEN IN NEED OF OVERHAUL

Bdijing JINGJI GUANLI in Chinese No 3, 15 Mar 79 pp 42-44

[Article by Li Yingzhang [2621 4619 4545]: "Some Opinions on Improving Enterprise Management"]

[Text] A conscientious improvement of business management and an energetic pursuit of scientific methods of administration are prerequisites for the speedy development of our industrial production and a serious topic that must find its solution at the same time as all our industrial enterprises strive for higher levels of production technology.

At present, "many heads," disintegrated operations and confusion are phenomena that prevail in our industrial administration and equally exist in all our work in connection with business administration. There are too many people in the leadership of enterprises, in some cases up to 10 or 20 persons. It is a fairly common practice to have groups of people as so-called secretaries and factory directors. The organizational structure is inflated and the division of labor carried to excessive detail. Factories in general have 20 or 30 functional offices and work as "an army divided up to guard a gateway." Conditions in shops frequently remind one of the saying, "a sparrow may be small, but is endowed with all the vital organs." Work connected with business administration lacks scientific method and a system of job responsibility. These conditions cause mutual interference and overlapping of various activities in the enterprises, offsetting and nullifying each other's efforts, inability to even "strike one blow"; work efficiency is low, solutions to problems are slow in coming, and economic efficiency is wanting. For many years enterprises have adhered rigidly to the same old products with the same old technology and the same old equipment, wasting large quantities of raw materials, working at high production costs and producing low quality goods at a low labor productivity. This is undeniably a direct consequence of bad industrial management. However, the backward state of business administration is also an important factor. A conscientious improvement of business administration is therefore also an important sector in our present efforts at economic reforms.

How are we to go about improving our industrial management? The chief question is to "comb the braids" in a systematic way. We must delineate front and rear work in the production of the enterprises and must systematically organize the present functional departments along the three lines: production, technology and management and administration, molding them into one truly organic entity. The command system in charge of production in the enterprise must organize such departments as planning, regulating production, coordination, labor relations, work safety, etc. and must also organize work in the workshops. The system in charge of technological work must organize such work as designing, technology, equipment, tools, quality control, technical planning of production, etc. Management and administration must organize work in connection with the supply of materials, transportation, marketing, finance, etc. All three aspects, production, technology, management and administration, must also be coordinated, harmoniously and rhythmically, linked with one another, within the overall plan of the enterprise. The reason why industrially advanced countries have good and highly efficient production organizations in their enterprises is that their internal planning is extremely precise and quite scientific, which is a necessary requirement of modern large-scale production.

In the work of improving our business management, the strengthening of technical organization is the key link. Now, the enterprises' production technical preparation is like the common cold--no one is responsible for it. According to our system of managerial organization of the 1950s, the technical planning of production rests with the production department and is usually organized as a responsibility of the planning division or the production division, which then actually take charge of the production, creating a weakness in the technical preparation with unfavorable results. When trying to improve certain particular parts the technical departments in many enterprises frequently require in the technical work, or work of installation and assembly, that the technical personnel themselves solve problems of material, prepare the molds, come to the workshop to pour the castings, collect the semifinished products from the heap of castings, sort them out, then push them back in small carts to be finished in the finishing shop. They also had to follow the parts, throughout the technical process. Furthermore, they also had to rush away and attend to cooperative arrangements or to the purchases from outside the factory. This would cause delays and things would not get done for half a year or even 1 full year. In foreign countries the work of technical preparation is viewed with great importance and is in charge of an independent department within the enterprise. Only after technical preparation has been satisfactorily completed, will the job be transferred to the production departments to organize the production. Some engineering industries in our country have already assigned the work of technical preparation or production to the system in charge of technological work. This is an action that is obviously very beneficial for the strengthening of technical preparation.

The second problem in the improvement of business management is to improve the work of workshop management, to lighten the burden on the workshops, to allow the leading cadres and the masses of staff and workers to truly devote their main energy to production. In some enterprises the workshops have now to attend to too many things, such as overhaul of equipment, the preparation of work clothes, working out and controlling technology, marketing, stores, storing up and purchasing of composite parts, all this they have to attend to themselves. In some cases they even have to run health stations, canteens, take on staff and workers education, etc. In some enterprises a workshop may have eight functional groups. One workshop of 600 persons had an administrative staff of 100 persons. This is an administrative style of "small but complete" which does not meet the demands of modern large-scale production. The overhaul of equipment, the preparation of work clothes, the supply of materials and stores and work of a service nature, such as operating canteens and health stations, must all be transferred to the various functional departments of the factory or the department to be of service to the shops according to the principles of specialization and coordination. Take the overhaul of equipment, for example. When some enterprises allotted this work to the shops, they had to add personnel and equipment, the various workshops each had to have a store of spares and reserve parts; utilization ratio was generally only 30 to 40 percent, the quality of the repairs was poor, costs high and the capital in the spares and reserve parts was 3 percent of the total fixed capital. If the entire factory would concentrate all overhaul work, it could reduce the stocks of spare parts and at the same time could turn overhaul work into a specialized work thus raising the skill of the maintenance and repair workers and the quality of the work. It would also create favorable conditions for the future establishment of a regional maintenance and repair center. The main task of workshops engaged in production must be to manufacture products that have been produced at high quality, low cost and little consumption of material, etc. supplied by the functional departments. To organize production in an enterprise according to the demands of specialization, is, speaking from the viewpoint of an enterprise, completely possible of achievement and also in full accord with the reasonable demands of the economy.

The third problem in improving business administration is the need to institute economic accounting within the factories and to establish a system of economic responsibility. For economic relations between shop and administrative and technical offices a contract system can be instituted with both sides assuming economic responsibility. The enterprise shall have its financial affairs division as an accounts settlement center and may establish an internal bank, use a system of internal payments by check and a system of settlement of accounts at certain fixed dates, thus allowing the shops and related administrative and technical offices to be their own financial masters. In instituting economic accounting for shops and administrative and technical offices, the most important point is to link the accounting with the economic interests of the staff and workers. Shops and offices that perform

well may get larger bonuses from out of the profits of the enterprise. If a shop increases its profits, its bonus shall increase correspondingly. Since the 1950s we have repeatedly promoted economic accounting for shops, factory teams and groups. The main reason why it never caught on, or why it became a mere formality was that it lacked the economic benefits, that linkage between enthusiasm of staff and workers and the accounting, so that accounting lost its solid mass foundation. The solution to this problem must have out attention as we launch the work of economic accounting in enterprises.

The fourth problem in improving business administration is that administration must be carried out according to scientific methods. According to the present actual conditions of the engineering industry, we must further improve planning work and economic management work with comprehensive quality control as its focal point.

Comprehensive quality control is a kind of scientific control based on mathematical statistics; it is carrying out the effective managerial experiences of the United States and Japan, which it is absolutely possible to extend and apply in the present conditions of our country. Instituting comprehensive quality control will not only spur on controls in designing, technology, fitting, equipping, testing, etc., but will also spur on, through this control, a comprehensive improvement in the quality of the work of supplying the goods, in marketing and in service to the consumers, as it will also ensure good economic results, lower costs and good quality.

Instituting comprehensive quality control must link the planning with the economic work. The quality of planning is of great influence on the business administration of the enterprise. Improvement of planning demands at present a strengthening of the overall planning of the enterprise (i.e., planning of production, technology, finance) and the work of operational planning; neither should be overemphasized at the expense of the other. At the same time as planning is being perfected, we must also firmly grasp economic accounting and such basic work as determining norms, carrying out measurements, keeping original records and statistics, etc., work which is closely linked with the overall management of the entire enterprise. Scientific management cannot do without advanced technological norms, accurate original records free from mistakes, and true and reliable statistical data. Original data and norms that are made up as in the saying: "a 3-foot high hat put on to cover up the knife stuck into the head," such methods of correct calculations based on false accounts, will only cause confusion and management will lose any effective function. We must overcome these manipulations.



There is still another problem in the efforts to improve business management, and that is the need to perfect a system of responsibility of factory directors under the guidance of the party committee. For many years, this question--how to implement the responsibility of factory directors under the guidance of the party committee--has never found a satisfactory solution. In the last few years, no distinction was made in enterprises between party and administration, the party replaced the administration, and it was a fairly common occurrence that the party committee secretary took on tasks of production and administration. All affairs, big and small, were considered approved only after the party secretary had nodded his approval, thus it was a "system of one-man leadership" set up for the party committee secretary. Some party committees in enterprises were run very unsatisfactorily, they met not even once in a year and the secretary did not even know how many members were on his committee. An enlarged standing committee usually replaced the party committee and the factory affairs committee. When the committee met, all matters, big and small, were talked over once and even such specific matters as distributing certificates to staff and workers, or house allocations, were discussed by the members of the standing committee. Its actual effect was to weaken the work of the administration. The "Thirty Points on Industry" set forth a system of responsibility of the factory directors under the guidance of the party committee with a division of labor. It also gave rise to a different understanding, namely that there should be a division of labor between the factory director and the deputy director, each to be responsible to the party committee. The administrative leadership of some enterprises still has a lingering fear of committing the mistake of separating themselves from the guidance of the party committee and do not dare to boldly shoulder their responsibility. All this is detrimental to the establishment of unified command in administrative work directing production in enterprises and is also detrimental to our efforts to perfect the system of responsibility of factory directors under the guidance of the party committee.

If we want to perfect the system of responsibility of factory directors under the guidance of the party committee in the present actual conditions of our country's industry, we must give consideration to the following points: (1) The leadership responsibility of the party committee in enterprises must be clearly defined. The main tasks of the party committee in enterprises is to implement consistently and thoroughly the party's line, direction and policies, to carry out effectively the political work in the enterprises and to discuss and determine questions of importance concerning the enterprises.

The factory director of an enterprise must bear full responsibility for the administrative work concerning production, working under the guidance of the party committee; the deputy director will be responsible for work assigned to him, working under the guidance of the factory director. In implementing this system of responsibility of factory directors under the guidance of party committees, special attention must be given to the unity of responsibility and authority. If a man is given the responsibility, he should also have the authority commensurate with his responsibility.

(2) Selection of a keen-witted and capable leadership group. The leadership personnel of enterprises must not be excessively large. The positions of party committee secretary and factory director must be held by comrades with strong party spirit, good working style, great energy and good professional knowledge. There is also need for a well-qualified first deputy director (a position to be concurrently held by the chief engineer, to be in charge of technical work), a deputy director for production, and a deputy director for business affairs (to be held concurrently by the chief accountant). Surplus leadership personnel could be organized and released from work for studies in order to raise the level of professional work.

(3) Reform the political organization in enterprises; strengthen the guidance of the party committee in political work. At present there is an unwieldy organization for political work in the enterprises. Many large-scale enterprises have political departments, divisions and sections, workshops also have their political instructors, the whole a system of its own. In some enterprises the political workers number up to 1,000 and 2,000 persons, and medium-sized factories also have a few hundred. As a result there was the political line and the administrative line. Political work did not center around production and the two became "two different hides" with very unsatisfactory effects. The key question in strengthening political work in enterprises is not whether they have a political department, but rather the strengthening of the party committee's guidance of political work. It is in the organizational, propaganda and supervisory work of the party committees and its meetings, in developing fully the effective functions of the Communist Youth League and the trade unions, in developing fully the effectiveness of the first-level party organizations in the functional divisions and section and in the workshops. The main tasks of the general party branch (party branch) in the functional departments and the workshops must be to carry out effectively the political ideological work among staff and workers, to implement decisions and directives of the party committee and the administrative departments and to ensure the completion of the production task.

To improve business management is very complex work. It involves not only the use of advanced technological and scientific methods and a rational organization of the productive forces in order to achieve the greatest economic effectiveness with the least man power, materiel and finance, but also the question of reforming the production relations and the superstructure. Based on our studies of advanced business technologies and business methods in foreign countries and a summing up of our own experiences, positive and negative, during over 20 years of managerial work, we want to emancipate our thinking and courageously carry out reforms. It is only in this way that we will be able to further raise the level of management in our country's industrial enterprises.

## GENERAL ECONOMIC INFORMATION

### COMPUTERS USED TO HELP MANAGE INVENTORIES' PAYROLLS

Beijing JINGJI GUANLI in Chinese No 3, 15 Mar 79 pp 52, 51

[Manuscript submitted by the Third Ministry of Machine Building: "Some Information on the Use of Electronic Computers in Enterprise Management"]

[Text] Can the ordinary digital computer be used in enterprise management? How can it be done? In this respect we recently gained some understanding from the trial application at a certain factory and from what we have seen and heard we feel that at that factory they are in the process of actively trying to find a solution to this question.

1. A new and unique payroll sheet is laid out before us. The top is full of symbols and numerals. Comrade C. of their Finance and Accounting Department explained their significance to us, item by item: "The consecutive numbers represent names. Each number is one person and they draw their wages in the order of these numbers. Lower down, in these 10 or more columns, each English symbol represents one of the following items: basic wage, days of attendance, daily wage, wage due, housing charges, electricity charges, deductions, deposits, actual pay, etc." After these explanations the payroll sheet as printed out by the computer was no more an unfamiliar face to us. "What do the numbers in the last line mean?" somebody asked. Comrade C. smiled as he explained: "The computer is very considerate, it is afraid that after the work team gets the total amount of wages, it may not have small change and therefore tries to arrange this matter for you in advance; so many 10-yuan notes, so many 5-yuan, 1-yuan, 50-cent, 20-cent, 10-cent notes and so many coins of 5-cent, 2-cent and 1-cent denomination, and all set out very clearly." "This is really marvellous!"

Since last year, this factory uses a mini-digital computer without information handling facilities, with a capacity of 30,000 operations per second. With certain improvement in the software, it was gradually capable of taking care of some of the management tasks in the enterprise. It was tried out in such matters as compiling production plans, compiling original statistical data, in the establishment of labor and capital records and supplies, in the control of finance, accounting and product quality. The computer also stored, ready for immediate examination, or drawing up of plans, the design

and pattern numbers of over 10,000 items of standard parts and technological rules (about 300,000 data). As explained to us, compiling payrolls for the more than 10,000 factory workers formerly depended on abacus work and required at least 130 work days, a painful and brain-recking experience where mistakes easily crept in. After March 1977, when 10 working days had been spent to set up the procedure (they had no automatic equipment for that job), it required only 4 hours to get the information on the computer and the entire payroll was printed out in duplicate. It was ten times faster and without any mistakes at all. The comrades commented that the use of the computer in management work was making the slogan "greater, faster, better and more economical" come true.

2. Comrade T. of the Operational Planning Division accompanied us on our visit to the computer building. He shook a roll of paper tape in his hand and said: "The production plan for the entire plant's more than 50,000 items of component parts is all in this. If manpower would be used to transcribe all these plans, I am afraid it would take quite a few people to do it."

On entering the computer building, all we saw were rows and rows of push buttons on the control panel in orderly arrangement. The reddish orange indicator lights were cheerfully blinking. The operators gave order after order through their teleprinters. In the photoelectric input device, reels of tape were turning rapidly; the input signals and the computer immediately gave out happy noises. After a while, the printer printed out one big roll of the whole set of component production plans. All the time it needed was less than 4 minutes.

The greatest advantages of having the computer printout the plan was speed, detail and accuracy, so that the production command system could immediately have control of the conditions of production and in good time handle any problems. Comrade T. allowed us to see the statement of production plans and operating load balances of standard items manufactured at the workshops. It clearly showed on the statement that there was basic agreement between production plans and actual production capacity at the various sections, and only at Section 2, where hex nuts were made, did the actual production capacity double that of the plan. In the main component assembly plan for the entire plant we also saw the basic coordination of assembling various components; however, there were larger deficiencies shown for antenna pole production from shop L and for magnesium alloy from shop S. This warned the plant to institute immediately measures to increase production of these items in order to balance production and achieve proper coordination. Comrade T. said: "The computer can warn in advance of production problems and enable the production command system to take action. If we would rely on manual planning, we could never figure things out so fast, in such detail and with such accuracy. We would have only a blurred picture of problems and latent capacities in production would merely have to be estimated, which of course would not be very scientific." A schedule displayed in



the building told us that the utilization ratio of this computer was very high; the 24 hours of the day were completely filled with engineering calculations, enterprise control, design preparation, composite tests, the computer really had a very heavy load of tasks. After getting all these benefits out of their computer, there was a rush in all units to learn its operation, creating a sensation of too many customers to be all accommodated. At present they are in the process of installing a new computer with a capacity of 120,000 operations per second, so that computers will be used even more extensively in production, research and management of the enterprise.

3. During the last year, the seven men who made up the management research team at the said plant put in a lot of hard work for an intensive study of this new topic, the computerized management of an enterprise. Last year they studied diligently and assiduously under the guidance and with the assistance of a teacher at the Beijing Institute of Economics, working out a program for the handling of information by the use of a digital computer. Working overtime day and night they compiled in a little over 1 month's time a complete and very complex program.

In conditions of actual practice they gained a very deep understanding, namely that after computers are put to use in the management of enterprises there is a strong demand for higher efficiency, higher quality and more scientific methods in every aspect of production. Otherwise there would be no way to develop the computer operation to its fullest degree of efficiency. For example, we know that although the computer calculates fast and accurately, it cannot distinguish between correct and false original records. If our controls are defective and our original records inaccurate or incomplete, what use would there be in the result of our calculations? Such "correct calculations with false accounts" isn't it nothing else but cheating oneself and cheating everybody else too? At times, even "accurate calculations with correct accounts" but not following the correct program can also not guarantee good results and end up in a piece of useless paper. The computer tells us clearly which components are being overproduced and which are shortproduced, but if the leadership is unmindful of science, or lacks capable personnel, a competent structure or competent methods to organize the restoration of good balance in production, if they follow the old arbitrary method of "pick the fat, choose the lean, the rest is bone," then the advantages of having a computer help in management will not become apparent at all. The leadership comrade of the said plant said with great understanding: "These phenomena of "accurate calculations with wrong accounts" and "having accounts correctly rendered but ignoring them" tell us that after introducing computers into business management, there is still the demand that corresponding reforms must be carried out in the internal structure of the enterprise, in its management system and its management methods, above all the complete reliance on "the will of the higher authority" has to overcome and has to be replaced by scientific management."

AFTER INITIAL PROBLEMS, COAL MINERS MASTER MECHANIZED OPERATIONS

Beijing JINGJI GUANLI in Chinese No 3, 15 Mar 79 pp 53-55

[Manuscript submitted by the Ministry of Coal Industry]

[Text] The No 1 Comprehensive Mechanized Coal Mining Team (hereafter referred to as No 1 Team) of the Quantai Mine under the Xuzhou Mining Bureau is one of the progressive, comprehensive mechanized coal mining teams on the coal mining industry front of our country due to the fact that it has achieved high production, high efficiency, good product quality, low costs and safety in production.

The No 1 Team is at present composed of 143 employees and workers, 97 of whom are working directly at the coal face. In May 1977, Soviet comprehensive mining equipment was introduced on a trial basis and in July of the same year put into regular operation. The No 1 Team has maintained a stable yield, high production and a good record of keeping 92 percent of its equipment on line. By conscientiously carrying out a system of personal responsibility, observing the rules of technical operations, maintaining and repairing equipment, checking and taking over from the preceding shift, caring for tools and investigating of accidents, they have continuously raised the level of management. This is a major reason why the team could achieve so rapidly their outstanding performance and carry out a technical revolution in coal mining with the employment of modern machinery and equipment. Here we introduce in particular their methods of technical training and their effective control and utilization of comprehensive coal mining mechanization.

Training Hard To Learn Basic Skills, Learning To Apply Them

The said team was originally a team extracting coal by explosives. The change from mining with explosives to mining with comprehensive mining machinery is a revolution in mining technology. As to the mining team involved, this technological revolution posed new demands as to organization, technology and management. To meet these demands, the team first selected 147 men out of its complement of 273 men, who were ideologically well-founded, who were willing to work underground, who had a certain

educational level and technical background and who were physically fit; attention was also given to include a certain number of older workmen. These men made up the comprehensively mechanized mining team that was to carry out an effective preparation of this technological revolution.

In order to do a good job in managing and utilizing the comprehensive equipment, the proper operation of such equipment must first be learned. The equipment is very complex and consists of many components; technological demands posed by the operation of the equipment are fairly high. On the other hand, the educational level of this contingent was rather low; only 33 men had an education of at least lower primary school and the training in new technology had its difficulties. How to resolve this contradiction? Their method was hard work, painstaking effort and serious study. Before starting regular production, they spent over 4 months in relentless training. Their main methods were as follows:

(1) Concentrated Training as Core Group and Vanguard. They selected 27 comrades of somewhat higher educational level and technical knowledge to be the technical backbone, releasing them from productive work to undergo training. First, they asked a teacher from a relevant college to explain the basic principles of the mechanized equipment. Then they took part in disassembling and examining the equipment after which they went through the whole process of reassembling it on the surface, conducting trial runs and undertaking underground installation. After this foundation was laid, they had the entire team stop work for concentrated study and set up four work groups for the various jobs of operating the coal extracting equipment, building supports, and running the pumping and the electrical systems. They studied theory in the morning and in the afternoon did actual work on the job. The cadres and the core group of 27 men were distributed among the work groups, mutually helping and learning, allowing the core group members to set examples.

(2) Work Out Measures To Suit the Men, With Emphasis on Effectiveness. Due to the differences between the old and the young workers, they also set forth further demands. Since the educational level of the young workers was higher and they were learning the new technologies faster, it was demanded that the young workers should not only learn to operate the equipment but should also master a certain level of theory. The educational level of the old workers being somewhat lower, the demand was made to have them become proficient in the operation of the equipment and get a general understanding of the nature and structure of the equipment.

(3) Consolidate and Raise Effectiveness in Actual Practice. On 27 May 1977 the first coal was successfully cut underground with the mechanized equipment. In the last 5 days of the month, over 2,300 tons of coal were extracted. At that time some people thought that most of what had to be learned had been learned and all that was left to do was to get busy and produce more coal.

However, the party committee at the mine explicitly announced that training would continue through June and no other tasks were allotted. In actual fact this made an even higher demand on them to perfect their skills. In discussing the decision of the party committee, the cadres and all the workers of the team came to understand that merely having the machines move, does not mean that operations had been learned to perfection, and having learned the rudiments of technology, does not mean that technology is truly mastered. They finally made the best use of their time to become thoroughly trained in the basic skills and quickly there was an upsurge of enthusiasm for further on-the-spot training throughout the entire team.

Ever since the comprehensive mining machinery was put into use, the technical training of the team has never stopped. Every Wednesday and Friday the team holds technical symposia and has furthermore organized ten sparetime self-teaching groups in the dormitories where 93 percent of the staff and workers keep up self-studies. Thanks to the diligent study and hard training, there are now over 70 men who are "three knowledgeable" (know basic principles, structure, capacity) and "four proficient" (proficient in operation, care, maintenance and avoidance of accidents) as to the equipment at their working places. Furthermore, 20 men became outstanding as "all-rounders," experts in one thing and good in many.

#### Strictly Adhering to Rules and Regulations, Guaranteeing Safe Operation of the Equipment

In mechanized production each step is closely linked to the other. If trouble develops in one place, the whole line may stop. This problem was not well understood in the beginning and soon after the comprehensive mechanized mining equipment was put into operation, certain problems in its control became apparent: if the supports were not accurate and the transport machinery not level and straight, the rubber parts, oil pipes and other parts became damaged more often and mechanical and electrical failures occurred more frequently. In one instance, the operator of the trough transportation machine fell asleep and the machine lever was pulled the wrong way. This almost caused a serious accident endangering the lives of men and held up production for over 5 hours. This case was taken as an occasion to mobilize the staff and workers of the entire team to discuss the relationship between modernization and strict observance of rules and regulations. The team gained the understanding that if there is no set of scientific management regulations, if appropriate rules and regulations are not established, and if these regulations are not strictly observed, even the best equipment cannot be used effectively. Finally, in consideration of the special features of comprehensively mechanized mining machinery, they drew up six sets of regulations, namely on personal job responsibility, operation rules, equipment maintenance and repair regulations, rules on quality checks when taking over from previous shift, rules on maintenance of tools and rules on avoidance of accidents. These regulations pose concrete demands on every type of work and in every job. For instance,



for the construction of the supports there was originally only one rule, "two lines, one level, one sweep of the broom" (namely, one line for the support, one line for the transport machinery, the floor must be level and coal and stone on the support structure must be swept away). After discussion among the masses, the "four fixes" were added (fix number of personnel, fix location, fix task, fix operation requirements). All support structures were divided into five sections with two men responsible for each section, assuring adequacy of the support, and its durability with certain individuals placed in charge. This would serve to familiarize the workers with the capacity of the supports and the conditions of the roof of their sector. It would also be beneficial for raising the sense of responsibility as well as for increased solidarity and cooperation among the three shifts. In addition they drew up rules for mandatory checks and repairs, keeping the need to take precautions uppermost in mind. The rules affirmed the demand for daily and monthly checks. They provided three patrol checks for each shift. Any problem that would show up must be immediately attended to. Small defects can be repaired by the team. Every day a work stop of 4 hours must be assured for checking and repairing; mishaps must be eliminated as far as possible at the source. One day every month must be specially designated for checking and repairing, and for concentrated protection and maintenance.

To guarantee closer adherence to the various rules and regulations, attention was given to the integration of political education with a strict and clear system of rewards and penalties. Every month when rewards were decided upon, first-class rewards were always given to comrades who had strictly adhered to the rules, who had done well in technical studies and who had made substantial contributions to production. Exemplary men in this group were awarded special-class rewards and each of them received an extra bonus of 10 yuan every month. Those few who had violated regulations must undergo education and in addition receive the necessary economic penalties.

The staff and workers of this team act and work strictly in accordance with rules and regulations. They have the attitude of being masters of their own affairs; they meticulously protect the equipment. Each carries a tool box and whenever he is free he will carefully clean the equipment, protect and maintain it and not allow one screw or one chain link to be left uncared for. In order to protect the equipment, they strictly observe the prohibition of explosives. They say: "Rather get slimmer ourselves than allowing the equipment to lose a piece of its skin." During the last year, they opened up over 1,600 meters and never used explosives past the 15th fault.

## Finding Out General Laws, Grasping Production Initiative

They believe if equipment is to be well taken care of and well utilized, it is necessary to understand the geological changes in the coal seams, take appropriate technological measures and grasp the production initiative.

They tried persistently to determine the laws of geological changes to get to a state where comprehensively mechanized mining equipment can be well utilized under any kind of conditions. For instance, in order to effectively control the roof of the workings, they enlisted the cooperation of the technical engineering staff of the mine and of related units, placed four pressure measuring devices on the roof, recorded daily the downward pressure, analyzed the data and tested and verified the suitable capacity of the support and also gained initial control of the periodic pressure. Long-term recordings with the aid of the pressure meters led them to the discovery, that when the work face was advanced 10 to 12 meters, there was one cycle of pressure. In very old workings the roof pressure reaches 75 tons per square meter, coming close to the point of strength of the hydraulic support of 80 tons. When these scientific data are mastered, it is possible to take technical measures to ensure safe production.

Through repeated practical experiences, other work handled by this team, when it was summed up, resulted in effective operational methods. For example, the workers at the supports worked out a series of valuable little formulas for moving supports: watch soft pipes, lift by hand (when moving supports, watch not to break high or low pressure oil pipes); protect hard pipes, push with many bodies (when moving supports, watch not to bend or break the main oil pipes made of steel; have several groups move them together); when the roof plate leaks, have the machine follow (preventing leakage in the roof, may require immediate movement of the support); prevent collapse, carry over support (to prevent roof collapse, keep up a certain support pressure when moving the support). Working along the lines of these formulas maintains control of the roof and also protects equipment.

It was decided at the third plenum of the 11th CCP Central Committee to shift the focus of party and state work to the construction of socialist modernization. Inspired by this new situation, all staff and workers of the No 1 Team determined to build up ranks of able fighters to proceed on this new long march, aiming at reaching whatever advanced levels of development have been achieved domestically and abroad, to make rapid progress in order to realize speedily the mechanization of our country's coal industry and to make new contributions to modernization.

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## FOREIGN TRADE

### 'RENMIN RIBAO' LETTER SCORES UNWISE IMPORTING PRACTICES

Beijing Domestic Service in Mandarin 2230 GMT 1 Aug 79 OW

[Report on a reporter's letter carried by 2 August RENMIN RIBAO: "The Fate of a Set of Imported Equipment"]

[Text] The letter says: At the beginning of 1975, the First Machine Building Ministry, in an effort to expand the Shaanxi motor vehicle plant, spent more than 6 million yuan importing a comparatively advanced high-pressure molding machine set. This set contains 83 pieces and weighs more than 270 tons. The machine set arrived in China at the end of January 1976. More than 3 years have passed, and this machine set is still intact, sitting idle on the Wei riverbank near the plant. Some of the parts have already rusted. The workers and masses feel hurt when they see this idle imported equipment on which the state spent so much money. Where will this equipment set finally be installed? All preparatory work for the installation of the machine has stopped. The leading group in charge of the installation has been disbanded. Out of the 52 backbone technical cadres and workers who had received training at home and abroad, only four or five have stayed behind to take care of things. The rest of them have been given job assignments elsewhere.

The letter says: At the beginning of 1979, this reporter criticized this matter in a journal published for internal circulation only. At that time, the department concerned sent out an investigation team. It also held several meetings on the matter. However, months have passed, and this equipment set remains untouched in the same place.

Citing a host of facts, the reporter's letter specifically lists existing problems in importing, managing and using imported equipment:

1. Lack of careful planning in importing equipment.
2. Poor coordination.
3. Serious bureaucracy and red tape.
4. Failure to do things according to actual conditions--actions are taken solely on the basis of orders issued by the "higherups."

## FOREIGN TRADE

### BRIEFS

**SHANGHAI EXPORT TRADE**--Shanghai's export trade departments have comprehensively carried out a campaign to increase production and practice economy, with a view to further expanding foreign trade. In the first half of this year, they fulfilled 62.14 percent of the annual export goods procurement plan and 60 percent of the annual export plan. [Shanghai City Service in Mandarin 1130 GMT 14 Jul 79 OW]

**FUJIAN IMPORTS, EXPORTS**--In the first half of this year, the people in Fujian fulfilled 61.8 percent of the export plan, an increase of 33.4 percent over the corresponding period of last year. Supplies to Hong Kong and Macao increased by 64.23 percent over the corresponding period of last year. Exports to Japan increased by 44 percent, while those to the United States increased by 1.68 times. The export goods included fresh eggs, plastic slippers, artificial leather suitcases and bags, leather gloves, stone carvings, wood carvings and drilling and compressing equipment. Imports also increased by 18 times over the corresponding period of last year. During this period, foreign trade purchases increased by 20 percent over the corresponding period of last year. [Fuzhou Fujian Provincial Service in Mandarin 0300 GMT 22 Jul 79 HK]

**GUANGDONG FOREIGN EXCHANGE**--The Guangdong branch bureau of the State Foreign Exchange Management Bureau has recently been officially established and has begun doing business with foreign countries. At the same time, the Guangzhou branch of the Bank of China has also been officially separated from the Chinese People's Bank. The address is in No 137, Changdi, Guangzhou Municipality. The Guangdong branch bureau of the State Foreign Exchange Management General Bureau and the Guangzhou branch of the Bank of China unify and concentrate the management of the foreign exchange business of the whole province. Their concrete tasks are to strengthen foreign exchange management, unify their management, take part in the activities and negotiations concerning trade and finance with foreign countries, handle the exchange of foreign currencies and act as a trustee to settle properties in the overseas. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 1 Aug 79 HK]



HEILONGJIANG CITY'S EXPORTS--The Industrial Products Import and Export Company of Qiqihar Municipality has enlarged its export market by holding direct talks with foreign traders. Last spring the company sent representatives to China's export commodities fair in Guangzhou, where it sold 900 units of chemical yarn for about \$420,000 to foreign buyers. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 1 Aug 79 OW]

SHANDONG WORK CONFERENCE--According to a DAZHONG RIBAO report, the Shandong Provincial Party and Revolutionary Committees recently held a provincial work conference of foreign trade and diversified economy in Qingdao Municipality to review and sum up the work in the first half of the year and discuss and set forth the task for the second half of the year. Attending the conference were responsible comrades of related organizations of various prefectures and municipalities and of related committees, offices and bureaus at provincial level. The vice chairman of the Shandong Provincial Revolutionary Committee, Comrade Zhu Benzhen, attended and spoke at the conference. The conference urged leaders at all levels to conscientiously implement the guidelines of the second session of the Fifth National People's Congress, concentrate their main efforts on economic work, examine the implementation of the tasks for the second-half year in the timely manner and carry out a labor emulation drive in a thorough and extensive manner so as to achieve a great development in foreign trade and to diversify the economy in our province. [Excerpts] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 3 Aug 79 SK]

SHANGHAI FOREIGN TRADE FORUM--In mid-July a forum on coordinating foreign trade work was held in Shanghai. It was attended by representatives of foreign trade departments from Jiangsu, Zhejiang, Anhui, Jiangxi and Sichuan provinces as well as from Shanghai Municipality. At the forum, representatives from various export and import companies in Shanghai reported on the sale of commodities, and representatives from the five provinces reported on the production situation in various localities. The forum's participants discussed and mapped out plans for supplying and marketing to meet foreign trade demands and freely exchanged views on existing problems and on plans for the next 2 years. The forum was held to promote cooperation between Shanghai and other provinces and to improve the relationships among producing, logistic and marketing units. This is the first time such a forum was held since the smashing of the "gang of four" and it is scheduled to be held once yearly. [Shanghai City Service in Mandarin 2300 GMT 21 Jul 79 OW]

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